

C O N F I D E N T I A L SECTION 01 OF 02 VIENNA 000141

SIPDIS

E.O. 12958: DECL: 01/16/2016

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SUBJECT: AMBASSADOR'S MEETING WITH PM SCHUESSL

Classified By: Ambassador Susan R. McCaw for reasons 1.4 (b)(d).

¶1. (C) Summary. During his first meeting in Vienna with Ambassador McCaw, Austrian Chancellor Schuessel confirmed full EU support for a unified front toward Iran and expressed a strong desire to work with the United States in the Balkans. The Chancellor saw the Russian-Ukraine gas agreement as an "interim solution." Energy policy would remain a focus of Austria's EU Presidency, even though "quick results" were unlikely. The Chancellor also thought that public attitudes toward the European Union were not as negative as is often painted. Ambassador was accompanied in the meeting by DCM (notetaker). End Summary.

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RUSSIA-UKRAINE  
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¶12. (C) Amb. McCaw opened the discussion by complimenting Schuessel's government for its swift reaction to the Russia-Ukraine gas crisis on the first day of Austria's EU Presidency. Schuessel agreed this had been a "very, very worrisome" development. Austrian Economics Minister Bartenstein, he claimed, was able to play a mediating role in finding a solution, thanks to Bartenstein's strong contacts with both Ukrainian and Russian energy officials, as well as with Raiffeisen Bank (which has taken a stake in Rosukrenergo). The Chancellor called the solution "a very complicated interim agreement," but he thought that Ukraine had come out better than most observers realized. "According to our sources, Ukraine thought they were going to have to pay about \$120/mm/ton, rather than the \$95 agreed," he said.

¶13. (C) Schuessel confirmed that energy will remain a focus of the Austrian EU Presidency, including at the March European Summit, but that "quick results" were unlikely. One important impediment was that so many aspects of energy security -- including supply sources, grid safety, and reserve strategy -- remained the preserve of member states, not the Union. The Chancellor also noted that Austria had a four-month supply of gas reserves -- the highest level in the entire EU.

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IRAN  
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¶14. (C). The Ambassador expressed the importance of a rock-solid, united front vis-a-vis Iran in view of recent developments. Schuessel stated the EU3 had the full backing of all 25 member states and that all 25 were unified behind the current strategy. The Chancellor stressed, however, the importance of carefully thinking through not just the next step, but four or five steps down the road. "If Iran does not respond to the resolutions of the U.N Security Council, what then? What tools do we really have at our disposal to pressure the government?" he asked. Schuessel expressed doubt that either Europe or the U.S. understood internal Iranian dynamics well enough to predict how the regime would respond to outside pressure. (Schuessel questioned whether Ahmadinejad had the support of the Iranian business/merchant class, a critical group and one that would be most impacted by any economic sanctions.) "Ahmadinejad is not crazy," the Chancellor added, "but is pursuing a calculated, if risky, strategy."

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AFGHANISTAN  
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¶15. (C) Amb. McCaw thanked the Chancellor for Austria's contributions to Afghan stabilization and reconstruction to date, including the 93 election monitors, and asked the GOA to make a generous pledge at the upcoming London conference. Schuessel did not respond directly, reflecting that Afghanistan had always been "used and manipulated" by its neighbors. He feared such meddling would continue to be the norm.

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BALKANS  
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¶16. (C) The Ambassador told Schuessel that the U.S. was eager to work with the Austrian EU Presidency on promoting

democracy, certainly in the Balkans but also further afield. Schuessel replied that Balkan issues were always very difficult, but there were encouraging signs at present. The granting of EU candidate status to Macedonia in December was a very important step. Bosnia remained extremely tricky, but Schuessel said he held new High Rep Schwarz-Schilling in the highest regard (having known him well for 30 years). The Chancellor also noted Austria's material support for the Kosovo status negotiations through provision of an office to Ahtisaari's team in Vienna.

**17. (C)** On the Kosovo talks, Schuessel pointed to the "enormous influence" of the U.S. upon Kosovar Albanians. Austria's ties (and Schuessel's personally), in contrast, were much closer to Serbia than to Kosovar Albanians. The Chancellor therefore advocated close US-Austrian collaboration, but also an informal division of labor, with each country bringing its weight to bear where its influence was greatest.

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PUBLIC VIEWS TOWARD EUROPE...AND AUSTRIAN POLITICS  
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**18. (C)** Schuessel said that Austria would try to use its EU Presidency to promote the notion of a "European Way of Life" as something everyone could be proud of. A new spirit of solidarity was needed to dampen rivalries among member states, and between competing EU institutions, which Schuessel argued had become too intense. The Chancellor maintained, however, that public attitudes toward the EU were not really as negative as they are often painted. It was claimed, for example, that the Austrian public's attitude toward Brussels was the most critical of all member states. However, an internal poll he had commissioned recently showed in fact a 58 percent majority agreeing that Austria had been right to join the European Union. The same poll also showed, for the first time, the Chancellor's People's Party ahead of the Socialists by a nose in advance of elections later this year. "People are not so stupid," Schuessel concluded.

MCCAW